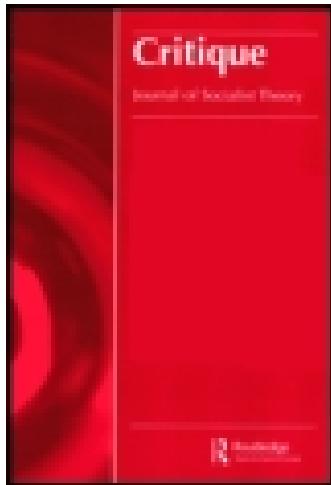


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PERESTROIKA AND THE SOVIET WORKING CLASS

BOHDAN KRAWCHENKO

Although there has occurred a significant rejuvenation of cultural, intellectual and political life in the USSR, hardly any real economic reform has taken place. Despite all the talk of restructuring and acceleration, there has been precious little of either. As Gorbachev told the Moscow Party Committee recently, "the new processes are moving very slowly." The situation in the Soviet Union is rapidly approaching a turning-point where the elite is faced with a critical decision: either to continue as it has done for over the last three years, or attempt to implement serious market reform.

Perestroika has had hardly any impact whatsoever on the structure and functioning of the Soviet economy. The New Enterprise Law is, for the time being, a dead letter. *Khozrashchet* (cost accounting), intended to promote enterprise autonomy, has gotten nowhere since enterprises still have to fulfill targets set by the centre through *goszakaz* (compulsory state procurement). Compulsory state procurement forces enterprises to deliver 80-90 per cent of their production to their respective ministries. In some cases it is the full 100 per cent of output from a factory. Within *goszakaz* are hidden all of the ministries' familiar control figures. Neither has there been a reform of prices (although there have been some price increases), nor of the wage structure. Democratisation at the enterprise level is simply not taken seriously, and there has been no attempt to democratise economic decision-making at the very top. Despite much talk of openness, economic plans are still formulated behind closed doors and presented to the population as a *fait accompli*.

Public opinion polls show that very few in the Soviet Union believe that there has been much success in restructuring the economy. A June 1988 poll of 11,000 workers showed that only 2 per cent answered in the affirmative when asked that question. In response to another query, "Has there been any success in restructuring social policy?" only 2 per cent answered 'Yes'. Asked, however, whether they thought change was essential, 81 per cent replied 'Yes'. In general, what this poll (and others) appear to show about workers was their overwhelming support for some sort of change, and impatience at the absence of any significant improvement in their lives.

In fact there is a clear perception among Soviet citizens that their economic situation has got worse rather than better since Gorbachev came to power. A public opinion poll published in a September 1988 issue of *Literaturnaia gazeta* found that 72 per cent of respondents felt that their own situation had deteriorated as a result of price increases. Indeed, as Gorbachev admitted in a November 1988 *Pravda* article that "there has been no noticeable improvement in getting food and consumer goods to the people." Protests such as the August 1988 mass meeting in Leningrad against

the lowering of living standards have become quite common. It should also be recalled that the wages of some workers have fallen either because of the imposition of quality control standards or new financial regulations. Thus the workers at the Novo-Kuibyshev Textile Factory in Kuibyshev went on strike on 26 September 1988 when the administration introduced a 50 per cent reduction in their wages. Cuts of this sort have caused a great deal of resentment and have led to many strikes.

If one looks at the figures for economic performance, then one finds that agricultural production grew by a minuscule 0.2 per cent in 1987. (Western estimates record a negative 3.1 per cent growth.) Industrial production increased by 3.8 per cent (1.5 per cent according to Western sources.) But even this growth, as Nikolai Shmelyov has noted, is attributable to the excess production of surplus goods (more steel, shoddy footwear, etc.) and not to technological innovation. Paradoxically, this lacklustre economic performance had had little impact on the wages of most workers. Most workers continue to exercise their negative control over the work process and industrial wages increased (on the average) by 4.7 per cent. This is because the balance of forces between workers and factory management has not changed substantially. There are also additional factors at play. One is a greater differentiation in wage incomes. The other because a large number of enterprises have changed to a two and even three shift daily schedule. Frequently, no additional personnel are taken on, so workers are being made to work longer hours and this has resulted in higher wages for some. Because consumer goods remain in short supply, workers can do little with their money. this has led to further discontent, and in many instances strikes. Interestingly, one of the main purposes of contemporary strikes is to put pressure on authorities to increase the supply of goods and services. A July 1988 issue of *Pravda* noted that strikes are now becoming a common occurrence and that "the strike fever is becoming too high a price for us to pay for *perestroika*."

Surveying developments in the Soviet Union, we can see a new *scissors crisis* looming ahead. The public discussion under *glasnost* has convinced the population that the old system is not viable; *glasnost* has increased the population's expectations and their effectiveness in expressing discontent. But on the other hand, there has been no substantial improvement in economic conditions, and there is much to complain about. As Fiodor Burlatski noted, if there is no improvement in the economic situation within the next few years, there may occur a rise in mass discontent, and the leadership will feel pressured to use the apparatus of coercion to effect a crackdown on society. Such a crackdown, would of course, resolve nothing, and only lead to the further disintegration of the system.

Today, therefore neither the regime nor the working class is content with the situation. How does one change this system?

The dominant thinking is the 'muddle through' approach typified by Abel Aganbegyan. When asked by Italian communists why the USSR had not published its "detailed plans for *perestroika*" and why they were "keeping it secret", Aganbegyan

later recalled his response: "What could I tell them? I just had to inform them that there was no plan." Incrementalists such as Aganbegyan see the present modest steps as the first in a series of reforms which may last two or three decades or more. The idea is to introduce the market piece-meal, so as not to provoke resistance from the bureaucracy as well as from the working class. Prevarication is understandable for politicians, but terribly destructive of economic reforms, especially of the market variety.. This approach has been tried in the past in the USSR and has failed. Neither has it succeeded in Eastern Europe where it has been tried for much longer. Given the lacklustre economic performance of the USSR in recent years, it is quite likely that sooner or later the system will have to jump, because the price of standing still will be too high.

Frustration among those reformers who support the regime has led to the articulation of a second, related, alternative - that of radical market reform. These reformers are quite unambiguous in their root and branch opposition to the status quo. Thus, Shmelyov recently stated, "We have to get rid of this perversion of an egalitarian tradition." In fact the dominant mood amongst most reformers and the Soviet intelligentsia is strongly in favour of a radical market reform. Their argument runs thus: the present system encourages parasitism and dependency. Moreover the bureaucracy will strangle any reform which they have a partial hand in. Thus, the only solution is to make the economy *autonomous* as quickly as possible. The *masses* have to be shaken out of their lethargy and kicked into the Kingdom of God - with the boot if necessary.

The radical reformers thus advocate a series of tough measures, beginning first with a thoroughgoing shake-up amongst the unskilled and less educated workers. The latter (some 40 per cent of the work force) it is argued have been subsidised hitherto and have become a serious drag on the economy. More generally, the *radicals* insist that there has to be substantial structural reform. This would immediately mean the setting of *rational* prices involving an end to subsidies and substantial price increases; then the creation of a properly defined bankruptcy law - leading to unemployment; and finally an intensification of labour discipline. As one article recently stated, "We have to adopt a programme of harsh, unpopular measures." At party meetings there have even been calls for a *firm hand* to introduce real economic change - a call supported, not surprisingly, by orthodox economists in the West who have advocated the same medicine for Latin America and the Third World over the past few years.

But how does one reconcile democracy with the *firm hand*? Radical reformers will argue that market reform is the only ultimate guarantee of democracy. Economic pluralism, after all, is the only way to secure political pluralism. A firm dictatorial hand is necessary to create the basis for an eventual democratisation. As one economist recently told a friend of mine, "market reform requires a 'Cavignac'" (the old French general who crushed the popular revolution of 1848.) Paradoxical though it may seem to some, it is evident that the pursuit of the economically liberal ends advocated by the radicals will require the use of illiberal political means. The *free* economy suggested

by the *Chicago Boys* in the USSR presupposes a *strong state* to make it a reality.

But will the radical approach be adopted? It is unlikely, for if it is, it can only provoke serious social unrest. As we know, the regime has always been (and remains) extremely jittery about the sort of price reforms advocated by the radicals. No doubt they still remember the events of Novocherkask in 1962 when major price increases precipitated serious disturbances. They are also aware that the introduction of unemployment would undermine what little remains of the *social contract* between the regime and the working class. Finally, given the nature of the Soviet economic system, it will be extremely difficult to create market incentives. The regime is thus caught in a historic cleft stick from which it cannot escape. It realises that it has achieved little in the way of reform so far; yet it understands that if it goes along the path advocated by the market reformers, instability might be the result.

Does this mean that there is no way out? For the elite, the situation is fraught with problems. They may be able to buy some time for themselves; but they cannot solve anything unless they are prepared to abolish themselves, for the real road to genuine reform is not the market supported by a strong state, but a fundamental restructuring of social and political relations underwritten and guaranteed by the authentic and thoroughgoing democratisation of the Soviet system. Partial democratisation at the enterprise level is clearly not enough. Nor are elections to Soviets where only one party is allowed to organise. Serious reforms would also have to lead to a dismantling of the only efficient part of the Soviet system, the KGB. Nor can we talk of genuine *glasnost* while censorship remains. Naturally, these changes will not, by themselves, solve the Soviet economic crisis; without them, however, there is no possibility of a solution. In this respect democratisation is not just desirable, it is an economic necessity; for in the last analysis it is the absence of democratic control which is the ultimate cause of the current economic decline. Thus, if the reformers were serious about reform, they would actually be advocating democracy rather than the *firm hand*; and if they were serious about restructuring, they would be on the side of the working class and not against them. Why – we might ask them – is an efficient economic order incompatible with a humane and egalitarian social system supported by democracy?

We should therefore have few illusions in either Gorbachev or his economic advisers. However, the regime has been forced, for both internal and international reasons, to permit a political space to open up since 1985. This in turn has facilitated the rebirth of unofficial discussion within the Soviet Union. It is in this area that there is room for optimism. Today there are some 40,000 so-called *informal groups* in the Soviet Union in which some 70 million people participate. Of this number, 3 million are in political groups of one persuasion or another. Among these there are workers' groups which advocate trade union democracy, authentic worker's self-management; groups which have raised the demand for the abolition of the KGB; and of course, movements demanding national rights for the different nationalities. Clearly, the

situation is pregnant with possibilities as new alternatives begin to emerge, as long as these groups are not smashed by either a recalcitrant bureaucracy buying time, or by the *firm hand* of a state in the service of the market.